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TO : THE DEPARTMENT OF STATE, WASHINGTON.

DATE January 16, 1953

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SECTION II

Summary

The Guatemalan Government program for 1953, which was announced after a Cabinet meeting on January 7 and which identified agrarian reform as the Government's primary objective, was heralded by the official press as a program of national unity but the suspicions of conservative groups that further attacks on private property were contemplated caused Sr. Roberto FANJUL, Minister of Economy and Labor, publicly to reaffirm that the Government would follow the road of capitalism, not Communism. Following the Cabinet's underscoring of agrarian reform, actions were initiated to expropriate two more private farms.

Meanwhile, the commission appointed to liquidate the National Farms continued to turn up evidence of corruption in that organization. Following such disclosures, Sr. Gregorio PREM B., Minister of Finance, advocated bonding Government employees handling funds and stricter laws for the prosecution of persons guilty of public fraud and defalcations.

Plans for the establishment of an Industrial Bank were widely publicized and President ARBENZ and Sr. Roberto Fanjul were reported to be studying the project. Sr. Fanjul announced that $2,000,000 of reserves of insurance companies to be invested under the Insurance Reserve Investment Law would also shortly be available through official financial institutions for long-term credit to industry.

Government Program for 1953

In commenting on the Government's program for 1953 announced after a Cabinet meeting on January 7 (WEEKA No.

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the official press sought to show an identity of aims between the Government and the business community. The program labelled agrarian reform as the country's basic problem and called for the development of a national capitalistic economy, a realistic budget for 1953-4, extensive public works and responsible and efficient collaboration of all departments of the Government. The official Diario de Centro America quoted President Arbenz as saying that the welfare of the Guatemalan people would be attained through carrying out fully the provisions of the Agrarian Reform Law. The paper held that "The law will lead us toward definite salvation and the highest destiny".

At the same time, suspicions of the Government's intentions persisted and Sr. Roberto Fanjul, Minister of Economy, sought to allay them by telling the press on January 12 "We are trying to develop Guatemala as a capitalistic country and in no circumstances as a Communist country". He denied rumors that the Government was considering a law to expropriate and redistribute urban property patterned after the Agrarian Reform Law (WEEKA No. 26) and said he would oppose such a law and ask the President to veto it if it should be passed by Congress.

Following the January 7 Cabinet meeting, President Arbenz inspected the Atlantic Highway project (WEEKA No. 45), which is expected to retain top priority in the public works program for 1953.

Agrarian Reform

Expropriations of private property under the Agrarian Reform Law begun last week (WEEKA No. 2) were extended to two additional farms involving some 1,815 acres in the Department of Guatemala.

The commission which is liquidating the National Farms as required by the Agrarian Reform Law (WEEKA No. 2) uncovered new evidence of irregularities. It asked ex-manager Mariano AREVALO, brother of former President Juan José AREVALO, to explain the failure of the National Farms to pay $137,000 in social security fees and $159,000 in business profits taxes and its further failure to record the purchase of $109,000 of stock in a wine factory. The commission also sought an explanation as to why the National Farms had signed contracts for the purchase of sugar cane for the next seven years when the organization was in process of liquidation.

As a means of curbing dishonesty in Government, Sr. Gregorio Prem Beteta, recently appointed Minister of Finance,

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recommended the bonding of Government employees entrusted with public funds and the passage of a law making persons sentenced to prison for public fraud ineligible for release on parole, by amnesty, under bail, or in any other circumstance.

Assistance to National Industry

Plans for the establishment of the industrial bank (BIG) proposed by the General Association of Guatemalan Industrialists (AGIG) last week (WEEKA No. 2) were widely discussed in the press. President Arbenz and Sr. Roberto Fanjul were reported to be studying the project. The meeting between President Arbenz and the AGIG originally scheduled for January 10-15 was postponed and is expected to take place at the end of the month.

The AGIG has proposed that the new financial institution operate as a commercial and industrial bank. The authorized capital of $5,000,000 would be subscribed as follows: $3,000,000 by the State, $1,500,000 by private investors, and $500,000 by borrowers, according to the amounts of their loans.

As an additional source of industrial long-term credit, Sr. Fanjul said that some $2,000,000 of reserves of insurance companies to be invested in Guatemalan bonds under the Insurance Reserve Investment Law (WEEKA No. 49) would be available shortly through the National Mortgage Bank and the Production Development Institute (INFOP) for the development of national industry.

R. E. Schoenfeld

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